

National Community Capital Association

March 28, 2005

Jennifer J. Johnson
Secretary, Board of Governors
Of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: 12 CFR Part 226, Regulation Z; Docket No. R-1217, Truth in Lending

Dear Ms. Johnson:

National Community Capital Association (NCCA) appreciates the opportunity to comment on the open-end credit rules of the Board's Regulation Z. NCCA strongly supports an effective, well-enforced Truth in Lending Act (TILA) that protects consumers.

On behalf of National Community Capital's 168 Member CDFIs, the thousands of businesses they finance, the tens of thousands of low- and moderate-income homeowners and renters they benefit, and the thousands of entrepreneurs they have financed, NCCA strongly urges you to incorporate overdraft loans in your Regulation Z open-end credit evaluation.

Without stronger consumer protections, overdraft loans will undermine years of efforts to bring unbanked consumers into the financial mainstream. TILA provides consumers with the extra protections they need to make an informed choice, including Annual Percentage Rate (APR) notification, disclosure requirements, and a private right of action, among others. Consumers need these protections for bounce loans.

As with payday loans, low- and moderate-income customers are a target market for bounce loans. Banks encourage consumers to use them to manage short-term cash flow problems. Like payday loans, bounce loans trap borrowers in a cycle of debt, compelling them to pay excessive interest rates.

Purveyors of payday loans and bounce loans both argue that TILA does not cover them. In March 2000, the Board, over the objections of the payday lending industry, issued a staff commentary clarifying that payday loans are subject to TILA and that payday lenders must disclose the APR for their loans. The Board should, at a minimum, take the same action with respect to bounce loans.

NCCA urges the Federal Reserve Board to recognize these fee-based bounce programs for what they are open-end credit and provide appropriate protections.

Thank you for the opportunity to comment. If you would like additional information or have questions about this letter, please do not hesitate to contact me at 215.320.4304 or markp@communitycapital.org.

Sincerely,

Mark Pinsky
President & CEO

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